State of Idaho

DEPARTMENT OF INSURANCE

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NEWS RELEASE

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High Gas Prices Equal Lower Insurance Rates

BOISE ID – As gas prices soar over \$4.00 per gallon, Idahoans are driving less. Many people have started carpooling or using alternate means of transportation such as mass transit, scooters, bikes or even walking. Vacations are being converted to "staycations" where people are opting for activities close to home.

Idaho Department of Insurance Director, Bill Deal, said, "Commuters who no longer drive to work may be eligible for an insurance rate reduction." Vehicles previously rated for "drive to business or school" use may now be rated as "pleasure" use with a lower rate. Savings will average about 10 to 15 percent.

Many insurers have several rate categories, depending on the number of miles driven per week. Reducing those miles can result in a lower rating and lower insurance cost.

Savings will vary by insurer. Some reductions in mileage may result in no savings at all. Director Deal urges consumers to contact their auto insurance agents to find out if they qualify for an immediate rate reduction.

Decreased driving also equates to decreased auto insurance claims that are filed. Consequently, higher gas prices lead to lower auto insurance claim costs. According to a recent study of the 1979-1980 energy crisis, Leroy Boison, a Fellow of the Casualty Actuarial Society, found that "The crisis did not just contribute to short-term reductions in auto claims frequency; it also contributed to a long-term decline."

Boison's research showed that even after the political crisis had passed and gas prices decreased, claims frequency did not return to pre-crisis levels. This was due in part to creative drivers finding other means of getting around such as carpooling, public transportation and consolidating errands.

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